

22 March 1960

CG/F COMMENTS ON CIA/RR EP 60-10

1. CG/F has examined with interest the ORR Contribution to NIE 100-2-60, issued as CIA/RR EP 60-10 under the title, Economic Factors Bearing on Sino-Indian Relations. We would agree with the paper's conclusion that, based on comparative GNP's, China is ahead of India economically and that the present gap between the two economies will widen. We would agree that China cannot expect to transform economic superiority into political advantage automatically, since the "Indian way," so long as it promises some economic benefit, is less disruptive of traditional values and hence may be more attractive to most other Asian nations. As the author suggests, the chief threat resulting from the growing economic gap is the opportunity that is created for Chicom attempts to expand through aggressive military and/or subversive moves, if their strategy should so dictate.

2. However, there are certain statements made by the author in developing his conclusions which from our vantage point are open to disagreement. These are the following:

page 1, lines 14-17: We doubt that, at least from the Indian point of view, there is consciously a "real and consequential" economic rivalry between the two powers. Undoubtedly, there is concern over economic strength as a determinant of relative power positions in Asia, but Indian leaders are probably much more deeply concerned with the economic development of their nation for its own sake rather than in the sense of

"rivalry" with China. Furthermore, the Chinese probably consider themselves to be economic "rivals" with the U.K. and other distinctly anti-Communist nations rather than with neutralist India which they have already surpassed. Only in the eyes of outside observers can the comparative economic performance of China and India be considered a "rivalry."

page 2, lines 16-17: Although total output of food grains in China has increased more rapidly than in India, we doubt that output of "other consumer goods" has done so. As Malenbaum states, "On the whole, output of consumer goods by modern industry seems to have expanded more in India during 1950-57, and from an originally higher level" and "...actual availability of non-food consumer goods to the Indian citizen seems to have increased more than in China." Furthermore, China does not emphasize handicraft and cottage industries, which are so important in Indian consumer goods output.

page 2, lines 18-19: The "virtual non-existence" of unemployment in China deserves some qualification. The Chinese organizational system may keep everyone employed -- if one accepts Chinese statements -- but there is room for question as to how much of a contribution to the national economy is being made by some of this "employment."

page 3, lines 21-26: The fact that China's area is about three times as great as India is not a proper expression of "the great difference in [their] economic resource base." This is a quantitative

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statement that ignores the qualitative elements of the situation. Furthermore, there is reason to question the extent to which China's vast population is an unqualified economic asset. What is needed in this section are some per capita comparisons.

page 8, line 9: It is overstating the case to characterize India's economic development as "following the orthodox path of leisurely development..." Five-Year Plans have definite goals that necessitate, particularly in an unevenly-developed country, a pace that is something more than "leisurely." Actually, India is employing elements of both socialist and capitalist societies in its development plans, aided by foreign investments and technical assistance.

page 9, line 19: The reference here to "the large size of China" gives an erroneous impression. What is significant is the size of the gross national product and the percentage of the GNP that goes into international trade. In this connection, the paper contains some inconsistent figures relating to foreign trade of India as a percentage of GNP. Page 3 indicates India's GNP to be \$40 billion; Table 4 indicates India's foreign trade to be about \$3 billion; this would mean that trade is about 7.5% of GNP rather than the 15% mentioned on page 9. Actually, the error is probably in the figure for India's GNP which may be closer to \$25 billion\* than to the \$40 billion figure given.

\*See Special Budget issue, The Eastern Economist, 4 March 1960.